

HR 5028, the “Right to Rent Act of 2010”

HR 5028 creates a “Right to Rent” for homeowners facing foreclosure. “Right to Rent,” or R2R, would allow homeowners whose homes have been foreclosed to stay in their homes at a fair market rent determined by an appraiser. The homeowner has 25 business days from the time of notice of foreclosure to seek relief.

R2R would allow families to stay in their homes while lowering the family’s monthly housing costs and allowing the mortgage holder to receive a fair market return on investment.

The bill aims to give relief to middle-income homeowners, not speculators or people living in unaffordable mansions. To be eligible for R2R relief, the home must have been purchased for the median purchase price in the metropolitan area as measured by the National Association of Realtors.

Furthermore, the home must be a “single family property,” a condominium with an undivided interest in common areas, or a similar dwelling in a multi-unit project that has been occupied for at least 2 years. The mortgage must have been originated on or before July 1, 2007.

The homeowner, upon receiving notice of foreclosure, may go to a court within 25 business days and petition to obtain a tenancy for up to 5 years at a rate determined by a court-appointed appraiser.

The Office of Inspector General in the Department of Housing and Urban Development will monitor compliance with the law, similar to its current supervision of existing foreclosure relief efforts.

HR 5028 will enable judges to settle foreclosures of middle-income family homes in a manner commensurate to the historic foreclosure crisis facing this country. A recent report from major mortgage company Lender Processing Services showed a record inventory in the number of foreclosed homes for February 2010, and a 21 percent year over year increase in delinquencies. Roughly 6 million home mortgages are believed to be at least 60 days delinquent.

HR 5028 provides a strong incentive for lenders to modify mortgages, including principal write-downs, to avoid becoming landlords. If the lender chooses to pursue foreclosure, the family will get to stay in the home, preventing the spiral of vacancy, social problems, crime and lowered property values for neighbors that can follow mass vacancies.

The R2R concept has support from across the ideological spectrum. The “Own-to-Rent” proposal was first suggested by progressive economist Dean Baker, and is supported by conservative economists such as Desmond Lachman of the American Enterprise Institute and Andrew Samwick of the Bush administration.

A model similar to HR 5028 has been enacted on a limited basis by Fannie Mae, Freddie Mac, and some fully private lenders.